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News

Lawmakers eye Phase I to pay Phase II

By Becky Barnes, Editor

In years past, farmers have relied on their tobacco crop sales to help pay off Christmas debts as well as farm and farm equipment notes that come due the end of the year. In more recent years, Phase II payments replaced sales revenue as the tobacco program withered. Still farmers had year-end funds to meet their debts.

That is, until 2004.

That's when tobacco companies refused to make their final Phase II payment claiming the \$10 billion Congress-approved buyout program voided their Phase II responsibilities.

So far, a North Carolina judge agrees.

However, Kentucky lawmakers remain optimistic that an appeal to the supreme court will re-establish tobacco companies' responsibilities.

That may take awhile... time that farmers don't have.

*Rep. Tom McKee*



State Rep. Tom McKee joined with other legislators to find a solution. House Bill 132 was introduced and passed the House last Friday with no dissenting votes.

McKee, who co-sponsored the bill, explained that the bill will allow for Phase I funds to be used to make those anticipated payments to farmers. There are an estimated 1,700 Harrison County farmers and tenants awaiting Phase II monies.

McKee said in a telephone interview Monday night that with the House's approval, the bill remains with the Senate. If passed by the Senate, it will be on to the governor for his approval.

"Farmers could get payments as soon as early summer," McKee said.

Phase I monies, which are also part of a 1997 tobacco settlement agreement, were set up to be used for farm diversification projects under the jurisdiction of an agriculture development board.

McKee said under the proposed legislation, Phase I money that has not been obligated will be coupled with bond sales to equal the needed \$114 million to make the payments.

McKee said there would be some cons to the proposal, one of those being that larger state diversification projects might suffer. County programs, which share Phase I monies 65 percent to 35 percent, will be unaffected.

"We don't feel like there'll be major consequences," McKee said.

"I'm very proud to co-sponsor that bill for our farm families," McKee said. "I felt it was something we had to do."

McKee added that no general fund dollars will be used to carry out this proposal.

"It's not the perfect answer, but it's an answer we know that will work," McKee said.

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